

Message Text

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ACTION OPIC-06

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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 2152
INFO AMCONSUL ADANA POUCH
AMCONSUL ISTANBUL POUCH
AMCONSUL IZMIR POUCH

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FOR OPIC/ID - KRAMISH

E.O. 11652: N/A
TAGS: EINV, EFIN, TU
SUBJ: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: STATE A-1699, APRIL 11, 1978.

1. WHILE THERE IS NO LOCAL POLICY EXPLICITLY PROHIBITING CURRENCY TRANSFERS APPLICABLE TO LOANS, DIVIDENDS OR ROYALTIES, IT IS ACCURATE TO SAY THAT IN RECENT PAST THERE HAS BEEN A DETERIORATION OF EXISTING CURRENCY CONVERTIBILITY RIGHTS IN TURKEY. THIS SITUATION HAS PREVAILED AT LEAST SINCE EARLY 1977, ALTHOUGH WE UNDERSTAND TRANSFERS FOR PURPOSE OF DIVIDENT REMITTANCES HAVE ENCOUNTERED DIFFICULTIES FROM TIME TO TIME OVER A LONGER PERIOD. A CENTRAL BANK OFFICIAL HAS CONFIRMED TO US THAT ALTHOUGH TRANSFERS FOR THESE PURPOSES ARE PERMITTED ACCORDING TO TURKISH LAWS AND REGULATIONS, THE CURRENT SHORTAGE OF FOREIGN EXCHANGE HAS LED TO LONG DELAYS IN EFFECTING PAYMENTS.

2. WITH REGARD TO LOANS, AS THE DEPARTMENT KNOWS, A SUBSTANTIAL
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PORTION OF TURKEY'S OUTSTANDING FOREIGN DEBT, MUCH OF THIS WELL PAST DUE BECAUSE OF FOREIGN EXCHANGE SHORTAGE, IS IN PROCESS OF BEING RESCHEDULED, EITHER BY GOVERNMENTS OR BY COMMERCIAL BANKS. WE UNDERSTAND FROM DISCUSSIONS WITH COMPANY REPRESENTATIVES THAT TRANSFERS FOR DIVIDENT PAYMENTS HAVE NOT BEEN MADE SINCE FEBRUARY 1977, AT BEST. A REPRESENTATIVE OF JOHN DEERE COMPANY, WHICH HAS A SMALL INVESTMENT IN A COMBINE PLANT NEAR ADANA,

TOLD US RECENTLY THAT IT HAD BEEN SOME SIX YEARS SINCE HIS ORGANIZATION HAD BEEN ABLE TO OBTAIN SUCH A TRANSFER. SIMILARLY, FORD TRACTOR OPERATIONS IN ITS TECHNICAL ASSISTANCE ACT

WITH A LOCAL TRACTOR MANUFACTURER HAS NOT RECEIVED ROYALTY PAYMENTS DUE UNDER THE CONTRACT SINCE LAST YEAR, AGAIN BECAUSE OF FOREIGN EXCHANGE NON-AVAILABILITY.

3. REPAIR REQUESTS POST COMMENTS ON IMPACT OF ENERGY COSTS ON CURRENCY CONVERSION APPLICATIONS. EMBASSY REPORTS CURRENT DEVELOPMENTS ON TURKISH EXTERNAL PAYMENTS CRISIS, LARGELY CAUSED BY RISE IN CRUDE OIL PRICES SINCE 1973-4, VIRTUALLY ON DAILY BASIS. OPIC MAY WISH TO REVIEW SOME OF THIS RECENT TRAFFIC, WHICH WE ASSUME IS AVAILABLE FROM DEPARTMENT OF STATE. MOST OF EMBASSY'S REPORTING ON SUBJECT BEARS EFIN TAG.

4. IN SUM, IT IS EMBASSY'S VIEW THAT CURRENCY CONVERTIBILITY RIGHTS IN TURKEY'S PRESENT FINANCIAL SITUATION ARE A POOR INSURANCE RISK.

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